

May, 1996
WEST VIRGINIA INFORMATIONAL LETTER
NO. 94

TO: ALL LIFE AND HEALTH INSURANCE COMPANIES AND LIFE AND HEALTH AGENTS LICENSED TO DO BUSINESS IN THE STATE OF WEST VIRGINIA

RE: 1996 LEGISLATIVE INFORMATION PERTAINING TO REPLACEMENT OF LIFE INSURANCE AND LOW VALUE LIFE INSURANCE POLICIES

Two bills of importance for Life insurance agents were passed in the 1996 Session of the West Virginia Legislature.

Senate Bill 303 -- Life Products With A Face Value Of \$25,000 Or Less

This bill goes into effect October 1, 1996, and requires insurance companies to provide a written notice to prospective purchasers of individual life insurance policies with a face value of \$25,000.00 or less. The notice must state that the total premiums paid by a purchaser may, on a date specified in the notice, exceed the death benefits of the policy. The notice must be provided to the purchaser at the time the policy is delivered. As required by this bill, the Insurance Commissioner has developed a "Notice to Policyholder" to be provided to prospective insureds. Insurers should begin using this notice, which is enclosed, on October 1, 1996.

This bill does not apply to: mass marketed life products, life products used exclusively to fund preneed burial contracts, or life insurance policies for which the total premiums paid by the purchaser will not, at any time, exceed the death benefit

House Bill 4388 -- Replacement of Life Insurance

This bill became effective May 14, 1996, and mandates that new life insurance issued by a replacing company cannot be contestable, in the event of any insureds death to any greater extent than the existing insurance policy. This provision does not apply to that amount of replacing insurance written which exceeds the amount of the existing life insurance.

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The insured is granted a thirty day (30) free look on the replacing policy. In accordance with this new law, the Insurance Commission has found it necessary to amend the notices regarding replacement of life insurance currently in use. The applicable notice, as amended, must be presented to the applicant no later than at the time the application is taken. You should begin immediately using the amended notices which are enclosed.¹

This bill does not apply to: annuities or individual and group credit life insurance.

To obtain a copy of either bill, contact the West Virginia Legislature, Senate Clerks Office (304) 357-7800, or House Clerks Office (304) 340-3200, Main Unit, State Capitol, Charleston, West Virginia 25305.

Inquiries regarding this letter should be directed, in writing, to Donna S. Quesenberry, Associate Counsel, Legal Division, West Virginia Insurance Commission, P.O. Box 50540, Charleston, WV 25305-0540.

HANLEY C. CLARK
INSURANCE COMMISSIONER

¹Amended Notices not reproduced herein. Copies available upon request.